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SUBJECT: BULGARIA: OUTGOING PM GAMING FOR FIGHT
REF: SOFIA 381

Classified By: Ambassador McEldowney for reasons 1.4 (b) and (d)

¶1. (C) Summary. On the last day of his four-year administration, outgoing PM Stanishev expressed deep bitterness over his electoral defeat, asserting that he was brought down by dirty politics, as well as his own coalition partners and opponents within his own party. Meeting with the Ambassador in an already emptied office, Stanishev appeared out of touch with the public's anger over corruption and his government's failure to deliver on domestic programs. He lashed out at PM designate Borissov's inexperience and apparent intention to press for partisan reform. Though clearly demoralized by his trouncing in the election, 43-year-old Stanishev has a lot of fight left in him. As the leader of the Socialist Party and head of their parliamentary group, he can and likely will present strong opposition to the next government. End Summary.

ECONOMY WILL BEAT PREDICTIONS

¶2. (C) Stanishev rejected the World Bank and IMF predictions that the Bulgarian economy will contract by seven percent or more this year, and stressed that Bulgaria's healthy public finances would protect it from a severe downturn. The new government need only maintain prudent fiscal policy to keep the economy on track. He warned against renegotiating a new budget in parliament or rushing into an IMF standby agreement. Should an IMF agreement be necessary, he advocated a model similar to those used in Poland or Mexico and stressed that with its strong public finances, Bulgaria should not be grouped with "countries like Latvia."

MANAGEMENT OF EU FUNDS FINALLY WORKING, DON'T ROCK THE BOAT

¶3. (C) After high-profile scandals and relentless European criticism for misappropriation of EU funds, Stanishev emphasized that an effective oversight and management system is now finally in place. He warned that a new overhaul of the system would delay absorption of funds at precisely the moment they are most critical. Elimination of the Deputy Prime Minister for EU Funds Management post that he created in the wake of the scandals would also be a mistake, he argued, since a "permanent whip" with broad powers to compel interagency cooperation is essential to preventing future misappropriations.

¶4. (C) In a similar vein, he said he would strongly oppose any plan to create a "mega-ministry" to handle all issues pertaining to road construction. He admitted that Bulgaria's road network remains in poor condition and the failure to complete the Trakia Highway from Sofia to the Black Sea was one of his biggest regrets. After years of financial and legal delays, Stanishev said the road building program is now "all set to move forward" and reform or renegotiation of the project would simply create new delays.

REFORM OF DANS) AVOID EXPERIMENTS

15. (C) Stanishev went out of his way to caution the new government against "changes or experiments" with DANS, Bulgaria's national intelligence and investigative service. He emphasized that DANS was designed to be apolitical and constrained by "checks and balances." Bringing the entire organization into the Ministry of Interior would be a serious mistake, he argued, since "Let's be honest. It is the ministry in the most need of reform."

16. (C) COMMENT: Highly emotional following his electoral defeat, Stanishev was calm throughout the meeting. He emphasized at several points that he wants to facilitate a "civilized, European-style" transfer of power, but he is also warning that he will fight if the next government investigates him or other Socialist party leaders. He noted bitterly that incoming Prime Minister Borissov and "his allies in Brussels" waged a deliberate campaign to discredit Stanishev's government on EU issues. Now, he said "we will see who does what." Clarifying his willingness to go on the attack, he added, "it will be up to the next government to consider national interests. From now on, I will be more concerned with politics."

17. (C) The last elections were an unmitigated disaster for the Socialists, whose share of parliament dropped from 31 percent to 17 percent. Stanishev personally, however, has not lost any of his fire, and he moves into opposition with a chip on his shoulder. So far he has survived calls from the older leftists inside his party to step down and appears set to lead his party in opposition. At only 43, Stanishev is certain to remain an important political force. As a pro-Western moderate, he would be poised to play a

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constructive role, but personal animosity between him and the next Prime Minister will ensure the combative relationship between Bulgaria's two largest parties will continue.

18. (C) While several of Stanishev's concerns, particularly those on the potential instability of next government and the dangers of over-reliance on the Ataka party are legitimate, his warnings against reform run strongly counter to public (and expert) opinion. His Socialist-led coalition government notched several achievements during its four-year mandate (including EU accession), but it is clear he and his party continue to underestimate the public's desire for serious reform and its deep anger over corruption, organized crime and ineffective governmental institutions. END COMMENT.
McEldowney